Growth rose slightly in 2023, led by gas exports and public investment. Inflation eased, reflecting tighter credit policy and continued price and foreign exchange controls. A positive outlook for energy and continued public investment indicate accelerating growth in 2024 before it moderates somewhat in 2025. Inflation is projected to rise on structural issues despite continuing price and foreign exchange controls. A young labor force needs expanded education and more high-quality jobs—both essential for inclusive and sustainable growth.

**Economic Performance**

The government reported growth rising slightly from 6.2% in 2022 to 6.3% in 2023. High gas production and exports were responsible, supported by large public investments.

On the supply side, expansion was reported in all sectors, with industry the main growth driver. Industry expanded by 4.3%, with gas production rising by 3.0% to 80.6 billion cubic meters (Figure 2.7.1). Expansion in industry also benefited from higher output of crude oil, oil products, chemicals, and electricity, along with gains in construction and manufacturing. This included increases in food processing, building materials, and textiles produced mostly under import-substitution programs. Agriculture grew by 4.4% as targets for cotton and wheat production were achieved, and from expansion in horticulture production for domestic and foreign markets. Services expanded by nearly 9.0%, with increases of 8.4% in transportation (including international air and rail services) and communication, 12.8% in trade and catering, and 5.1% in other services.

On the demand side, public investment and net exports were the main drivers of growth. Gross investment in various production facilities and social infrastructure under the President’s program for socioeconomic development in 2022–2028 increased by 7.5%, reaching 18.3% of GDP. This was reported to include new health centers, schools, cultural centers, and residential complexes, as well as continuing phases of the new administrative “smart city” Arkadag, a large construction project. Of total investments, 50.9% was allocated for social infrastructure and the rest for industrial infrastructure.

Inflation eased considerably. Preliminary estimates show average annual inflation falling from 11.2% in 2022 to 5.9% in 2023 as a result of moderating global commodity prices, tighter credit policy, and continued price and foreign exchange controls (Figure 2.7.2). The Central Bank of Turkmenistan maintained its fixed exchange rate regime, which rations foreign currency sales and international money transfers.

This chapter was written by Jennet Hojanazarova of the Turkmenistan Resident Mission, ADB, Ashgabat.
Most bank lending went to state-owned enterprises in the government’s priority sectors, with some credit provided to private firms engaged in import substitution or export promotion.

**The state budget surplus is projected to have narrowed from 2.4% of GDP in 2022 to 0.9% in 2023 (Figure 2.7.3).** The smaller surplus reflected higher expenditure from increased capital spending. While the state budget does not capture off-budget expenditure, a report by Fitch Ratings in February 2024 estimated public debt to have declined from the equivalent of 5.8% of GDP at the end of 2022 to 4.3% a year later.

**The current account surplus narrowed from 7.1% of GDP in 2022 to 5.9% in 2023 (Figure 2.7.4).** This reflected some relaxation of import controls, along with stable energy prices and exports. Imports rose by 7.6% in 2023, while exports remained essentially unchanged, with earnings mainly from exports of gas to the People’s Republic of China (PRC) and additional exports to Azerbaijan and Iran under existing gas swap agreements. With extensive repayment of external loans, external debt in 2023 is estimated to have declined to 5.1% of GDP (Figure 2.7.5).

**Economic Prospects**

The government projects growth at 6.5% in 2024, with a small deceleration in 2025 from the elevated base in 2024 (Table 2.7.1). This forecast assumes higher capital spending and stable hydrocarbon exports. Gas production is projected to increase gradually through 2025. Faster expansion of gas production and exports, which account for over 60% of total exports, would require new pipeline infrastructure along a regional route yet to be finalized.
that the PRC is financing, in addition to measures to expand production capacity. Output of gas, oil, and oil products will continue to sustain growth during this period, with expectations of favorable prices and external demand. Activity outside of the large hydrocarbon economy will remain dependent on government support for state-owned enterprises and private firms engaged in import substitution or export promotion.

Strong revenue from hydrocarbons is projected to keep the state budget near balance in 2024 and 2025. While financing for government investment projects will remain sizable, public debt is projected at 4.4% of GDP in 2024, decreasing to 3.9% in 2025 as the government repays external debt on energy projects.

Inflation is projected higher at 8.0% in both years, reflecting higher growth in 2024 and elevated inflation expectations in 2025. The outlook assumes no change in foreign exchange policy or banks’ practice of lending mainly to state-owned enterprises. While a large differential between the official and parallel exchange rates has the government examining the costs and benefits of an adjustment, projections assume that the official rate remains unchanged over the forecast period.

The current account surplus is projected to narrow to the equivalent of 3.2% of GDP in 2024 and 2.4% in 2025. Anticipated further relaxation of import constraints will permit higher imports of inputs to export-oriented industries and of consumer goods to the domestic market. At the same time, hydrocarbon exports are projected to keep total export revenue high. External debt is projected to remain below 5% of GDP, reflecting scheduled repayments and the government’s aversion to new borrowing.

In February 2024, Fitch affirmed Turkmenistan’s long-term foreign-currency issuer default rating B+ with a positive outlook. This reflects Turkmenistan’s extremely strong sovereign balance sheet—with the “B” peer group’s highest ratio of sovereign net foreign assets to GDP and lowest public debt—underpinned by the world’s fourth-largest natural gas reserves. Factors that could support a further rating upgrade include improvements in governance standards and the business environment, particularly the exchange rate framework, and greater export product and market diversification.

Policy Challenge—Investing in Education and Employment for Youth

Turkmenistan has a large and growing young population, with those aged 15–29 nearing 40% of the population. Through enhanced education, quality work, and social participation, they can contribute to the country’s growth and development. Enhancing opportunities for the younger generation and addressing the challenges in their study-to-work transition are essential to make this demographic trend a growth dividend.

The government needs to ensure adequate availability and quality of education and training and create enough high-quality jobs. Large numbers of secondary school graduates, especially women, finish school in Turkmenistan without pursuing further training or finding a job, according to the United Nations Common Country Analysis 2021 Update. This indicates underlying structural issues warranting attention and intervention.

The country’s 25 tertiary education institutions can enroll annually not more than 15% of school graduates. This does not meet demand for tertiary education. A similar number of graduates enter technical and vocational schools. The bulk of the labor force is thus secondary school graduates with inadequate education and skills to hold highly productive and well-paid jobs. A lot of young people go abroad for study or work, the bulk of them facing various financial constraints and social protection issues that require timely solutions from the government.

Table 2.7.1  Selected Economic Indicators, %

Growth is forecast to accelerate modestly in 2024 and then slow in 2025, with higher inflation in both years.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
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</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>6.2</td>
<td>6.3</td>
<td>6.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Inflation</td>
<td>11.2</td>
<td>5.9</td>
<td>8.0</td>
<td>8.0</td>
</tr>
</tbody>
</table>

GDP = gross domestic product.
Source: Asian Development Bank estimates.

Inflation /one.tab/one.tab/two.tab /five.tab/nine.tab /eight.tab/period/tab/zero.tab /eight.tab/period/tab/zero.tab/
GDP growth  /six.tab/period/tab/two.tab /six.tab/period/tab/three.tab /six.tab/period/tab/five.tab /six.tab/period/tab/zero.tab
Table /two.tab/period/tab/seven.tab/period/tab/one.tab

Selected Economic Indicators/comma.tab /percent.tab

Inflation /one.tab/one.tab/two.tab /five.tab/nine.tab /eight.tab/period/tab/zero.tab /eight.tab/period/tab/zero.tab/
GDP growth  /six.tab/period/tab/two.tab /six.tab/period/tab/three.tab /six.tab/period/tab/five.tab /six.tab/period/tab/zero.tab
Table /two.tab/period/tab/seven.tab/period/tab/one.tab

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More tertiary enrollment is needed to prepare youth for high-skill jobs in more productive sectors. This requires broadening the coverage of existing institutions and opening new ones, including branches of foreign universities. It also requires improving the quality of education through modernized curricula for diverse skills sets in both tertiary education and technical and vocational education, greater spending for research and development, and financing to improve digital and entrepreneurial skills. Achieving these objectives will require greater investment in education to make it more inclusive, competitive, and relevant. Traditionally, education spending has averaged around 3% of GDP, well below outlays in advanced economies.

Job-creation measures are needed to reduce youth unemployment. According to World Bank data based on government statistics, the youth unemployment rate reached 10.6% in 2022, up 0.6 percentage points from 2021 (Figure 2.7.6). Other sources suggest much higher unemployment rates, with youth representing the bulk of the unemployed. The country’s undiversified economic structure complicates the creation of quality jobs, with most jobs currently in low-skill agriculture and services. The most productive sectors, such as hydrocarbons, are capital-intensive and require fewer but more highly skilled and technologically advanced workers, with positions usually filled by foreign specialists for lack of local expertise (Figure 2.7.7). The job creation programs would succeed if they are comprehensive and part of a multidimensional approach that combines supply- and demand-side measures.

Wage subsidies and public employment programs for youth could be useful in the short term. Creating high-quality jobs, however, will require careful policy interventions, which can include efforts to develop high-growth and job-led sectors through rigorous investment programs; improving the business climate for private firms, which currently produce about 35% of GDP; promoting export-oriented industries; improving access to bank finance; and fostering foreign exchange convertibility. A more favorable investment climate would spur foreign direct investment, likely bringing higher technological advancement and demand for skills, enabling higher-paying jobs in competitive industries.

Effective youth empowerment requires public–private collaboration, both national and international. Public–private partnerships can leverage resources, expertise, and networks to support youth initiatives and ensure their sustainability. Investing in joint initiatives such as internship programs, mentorship schemes, and skill development workshops can expose youth to the real world and facilitate their transition to the labor force.